

INTEROFFICE MEMO



County of San Bernardino

DATE May 6, 2005

FROM MARK UFFER
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TO MEMBERS
Board of Supervisors

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SUBJECT 2005-06 PROPOSED BUDGET/REVISED FINANCING PLAN

On March 15, 2005, I presented to the Board of Supervisors a 2005-06 Budget Financing Plan. A copy of that agenda item is included in the executive summary workbook. That plan provided the basis for distributing locally financed budget targets to general fund financed departments to develop their 2005-06 proposed budgets. The Board of Supervisors approved these budget targets and enclosed in these workbooks are the departmental budgets submitted and reviewed by the County Administrative Office.

The 2005-06 proposed budget workbooks have been designed to be more user friendly for the Board of Supervisors, the departments, and the public. The first workbook is an executive summary of the 2005-06 proposed budget, which includes:

- A County Budget Summary which shows the total appropriation, total revenue and total budgeted staffing included in the 2005-06 proposed budget with comparative numbers from the 2004-05 final budget.
- A General Fund Financing Section which discusses how the general fund is financed in 2005-06.
- A Year-to-Year Department Comparison of all departmental budget units which shows last year's adopted budget, this year's proposed budget and the dollar and percentage change between the two years. A brief explanation of the changes is also included and a page reference for the second workbook is listed to obtain additional detail.
- A Policy Item Summary, which summarizes all the policy items submitted by departments for 2005-06. Policy Items represent any program or workload changes that could not be financed within current departmental allocation.
- A Fee Summary, which summarizes all the fee proposals submitted by departments for 2005-06. Fee ordinance adjustments are not incorporated in the proposed budgets. The majority of the fee proposals include a request to increase appropriation, if the fee is approved. For some general fund departments, if the fee is approved, it will save general fund financing by reducing the department's reliance on local cost.

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The second workbook shows the departmental detail of the 2005-06 proposed budget, which includes:

- A departmental mission statement.
- A departmental organizational chart, which portrays what functions the department performs, as well as, how much staffing by function is included in their 2005-06 proposed budget.
- Expenditure and financing pie charts, which illustrate what percentage of the 2005-06 proposed appropriation budget is spent on salaries, services, etc., as well as, what percentage of the 2005-06 proposed financing sources budget comes from local cost, fee supported revenues, etc.
- If applicable budgeted staffing and local cost or fund balance or revenue over (under) bar graphs, which illustrate budgeted amounts for the past two years and the proposed level of staffing and local cost for 2005-06.
- The Department Recommended Funded Adjustments, which include any proposed changes made by the department within their departmental allocated local cost or other financing sources.
- Policy Items – If departmental requests for program or workload changes could not be financed within current departmental allocation, departments presented these requests as policy items. While the first workbook provided a summary of policy items, this workbook provides more detail about the individual requests.
- Fees – If the department is requesting new fees or an adjustment to current fees, the detail of the fee adjustments is contained in this second workbook.

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REVISED 2005-06 FINANCING PLAN

Since March 15, 2005, the Board of Supervisors has approved the use of additional general fund financing. In addition, the County Administrative Office has received actual data on discretionary revenue and departmental activity for March and April. Based on analysis of this new information, the County Administrative Office is revising the county's 2005-06 financing plan as follows:

| REVISED 2005-06 FINANCING PLAN | | | | | | | |
|---|--------------|---------------|--------------|--------------|----------|--------------|---------------------|
| | General Fund | | Prop 172 | | Other | | Total |
| | Ongoing | One-time | Ongoing | One-time | Ongoing | One-time | Ongoing One-time |
| Financing Available as of March 15, 2005 | 16.8 | 40.3 | - | 13.5 | - | 17.8 | 16.8 71.6 |
| New Financing Sources: | | | | | | | |
| Increase in Prop. 172 Revenue (including interest) | | | 5.1 | 5.8 | | | 5.1 5.8 |
| Increase in One-Time Discretionary Funding | | 2.3 | | | | | - 2.3 |
| Savings/New Dept. Revenue from Law & Justice | 0.8 | | 0.5 | | | | 1.3 - |
| Subtotal: | 0.8 | 2.3 | 5.6 | 5.8 | - | - | 6.4 8.1 |
| Board Approved Mid Year Adjustments: | | | | | | | |
| Sheriff/Coroner Merger Savings | 0.4 | | | | | | 0.4 - |
| Partial purchase of correctional facility in Adelanto | | (19.0) | | (6.0) | | | - (25.0) |
| Countywide Gang Initiative | (1.4) | | (3.3) | | | | (4.7) - |
| Subtotal: | (1.0) | (19.0) | (3.3) | (6.0) | - | - | (4.3) (25.0) |
| Other Adjustments in Proposed Budget: | | | | | | | |
| Prop. 172 Sheriff - Funding Needed for Current Staff | | | (2.3) | | | | (2.3) - |
| Prop. 172 D.A. - Used To Pay Portion of est MOU | | | | (0.5) | | | - (0.5) |
| Increased 2004-05 Prop. 172 Usage | | | | (4.0) | | | - (4.0) |
| Superintendent of Schools Reduction | 0.5 | | | | | | 0.5 - |
| Additional CIP contribution | | (4.4) | | | | | - (4.4) |
| 10% Contingency for Tobacco Settlement | | | | | | (1.9) | - (1.9) |
| Subtotal: | 0.5 | (4.4) | (2.3) | (4.5) | - | (1.9) | (1.8) (10.8) |
| Proposed Budget Financing Plan | 17.1 | 19.2 | - | 8.8 | - | 15.9 | 17.1 43.9 |

New Financing Sources

Increase in Prop. 172 Revenue

Based on the county's latest receipts of Prop 172 revenue, the projections in the March 15, 2005 financing plan will be revised upward. The County Administrative Office is recommending an increase to budgeted Prop 172 revenue of \$5.1 million in ongoing and \$5.8 million in one-time.

Increase in One-Time Discretionary Funding

The County Administrative Office is expecting an increase in one-time discretionary funding of \$2.3 million mainly due to an increase in anticipated fund balance due to departmental savings.

Savings and New Revenue from Law & Justice

Savings consists of the District Attorney's unearmarked Prop. 172 revenue and the transfer of local cost from the Probation's Court Placements budget unit. In addition, new revenue is anticipated from the Public Defender's new defendant assessed attorney fee.

Board Approved Mid Year Adjustments

Since March 15, 2005, there were three additional approved Board of Supervisors agenda items that affected the general fund financing plan.

1. On March 22, 2005, the implementation agenda item of the Sheriff/Coroner merger was approved, which resulted in ongoing savings of approximately \$400,000.
2. On April 5, 2005, the purchase of the correctional facility in Adelanto, which required an additional \$25.0 million of unallocated funding (\$19.0 million from general fund and \$6.0 million from Prop 172 revenue) was approved.
3. On May 3, 2005, the countywide gang initiative unit was approved which cost a total of \$4.7 million and was financed with additional financing available from increased Prop. 172 estimates as mentioned above and approximately \$600,000 in general fund financing.

Other Adjustments in Proposed Budget

Prop. 172 Sheriff

While building their 2005-06 proposed budget, the Sheriff's Department opted to utilize the balance of their allocation of new Prop. 172 growth (\$2.3 million) to restore 20 deputy positions in detention centers, to hire 5 supervising dispatchers for the valley and high desert dispatch centers, to replace Byrne Grant funding for narcotics enforcement, and to fully fund necessary partially budgeted positions within the department.

Prop. 172 District Attorney

The District Attorney's 2004-05 budget was built using retirement rates as originally calculated by the San Bernardino County Employees Retirement Association. After the issuance and sale of the pension obligation bonds, it was determined that retirement savings were certain; and since the District Attorney's retirement cost funding was derived from Prop. 172 revenue, the department did not spend \$532,892 in Prop. 172 due to the reduced retirement costs. This Prop. 172 savings were set aside and will be used in 2005-06 to fund MOU increases.

Increased 2004-05 Prop. 172 Usage

Prior to the end of the fiscal year, the Sheriff's Department will seek Board approval for the use of nearly \$3.8 million of the Sheriff's share of excess Prop 172 revenue to offset 2004-05 expenditures that exceed their local cost target. Likewise, the Probation Department projects the need for approximately \$0.2 million of their share in June 2005.

Superintendent of Schools

While building the Superintendent of Schools' 2005-06 proposed budget, the County Administrative Office reduced funding for office supplies, rent expense, utility costs, and telephone charges in order to bring the level of funding to an amount our office believes is required, as provided for by existing contracts. Even though information technology services provided to School Claims increased costs slightly, the reductions mentioned above provide a net local cost savings of approximately \$500,000.

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Additional CIP Contribution

In the financing plan approved by the Board of Supervisors in March, the general fund allocation for Capital Improvement Projects (CIP) for 2005-06 was \$3.5 million. The proposed projects listing has since been revised and the revisions increased the recommended general fund allocation by \$4.4 million to a total of \$7,855,000 for new general fund projects. These revisions were based on the premise that improvements made at this time will save the county money on needed repairs in the future.

10% Contingency for Tobacco Settlement

To be consistent with Board policy on general fund reserves, the County Administrative Office is recommending to place 10% of the tobacco settlement proceeds annual revenue in contingencies in case this revenue source underperforms.

Conclusion

In conclusion, the revised financing plan is projected to have unallocated discretionary ongoing revenues of \$17.1 million in general fund and unallocated discretionary one-time revenues of \$43.9 million (\$19.2 million in general fund, \$8.8 million in Prop. 172, and \$15.9 million in other). However, there are still significant issues that have not yet been addressed in the 2005-06 proposed budget since the exact impacts are unknown. Therefore, the County Administrative Office will continue to monitor the salary negotiations, the state and federal budget process, the new judgeships awarded, future mid-year board actions and any other pending costs the county must face in 2005-06.